

Switch-based Resellers / Service Provider Perspective

Payphone Dial-Around Compensation Process Workshop

Pete Pattullo, Founder & CEO July 2010



About NetworkIP

- Founded in 1998, NetworkIP is a privately held Texas technology company with 75+ employees, providing a hosted voice and transactions services platform.
- It was NetworkIP's philosophy and mission to solve the inherent control needs of companies with great marketing vision and distribution relationships in the Prepaid Phone Card Industry.
- Pioneered a virtual switch platform business model that gives carrier customers full control of their prepaid card product attributes, consumer experience, and billing methodologies, while at the same time eliminating the distraction of managing the switch operations and technology needed to support it.
- NetworkIP provides its Hosted Services Platform via a GUI interface & a set of robust APIs that can be accessed from any internet-enabled computer. In today's terminology, NetworkIP would be called a "Software as a Service" (SaaS) provider – like a "cloud computing" solution for prepaid card providers.
- Currently supports over 100 carrier customers with over a billion end-user accounts, generating a peak of 3 million transactions per day, with utilization of half a billion minutes per month.



Why is NetworkIP here?

- Believe payphones are needed for the greater good of the general public
- Seen and experienced first hand the impact of DAC policies over the last 14+ years
- Worked with APCC since 2009 to identify and solve "ANI info" digit issues (*The problems are not fixable, due to the complexity of telecom network infrastructure*)
- Payphone DAC report Card







Consumer Utilization

"promote the widespread deployment of payphone services to the benefit of the general public".

1.2% of completed toll free calls (July 2010)

[%] of completed Toll Free calls from payphones (500+ million calls) 11.0% 10.0% 9.0% 8.0% 7.0% 6.0% 5.0% FCC mandated 4.0% DAC fee increase 3.0% 2.0% 1.0% 0.0% INION Janos INIOS Janos INIOS Janos

^{**}On September 20, 1996, the Commission adopted a Report and Order implementing Section 276 of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 ("1996 Act")



Consumer Value

The original 1996 FCC payphone order** stated, "We conclude further that the ability to make coinless calls from payphones is a convenience that transient callers value."

Consumers pay \$1.19 per completed Toll-free call (July 2010)

Average Payphone Retail Rates per Toll Free call \$1.20 \$1.00 → Average TollFree Retail Rate Subsidizing \$0.80 Consumers Non-subsidized \$0.60 Retail Rate @ 40% discount Average Coin \$0.40 Rate (est.) FCC mandated \$0.20 DAC fee increase Jula sona Julas sona julas sona julas

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PSP Compensation

FCC promised** to ensure fair compensation for "each and every completed intrastate and interstate call using a payphone" and "the 'carrier-pays' system for per-call compensation places the payment obligation on the primary economic beneficiary in the least burdensome, most cost effective manner"

✓ It is estimated that 15% – 20% of calls from payphones the PSP does not receive compensation.

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Service Provider impact of policies

The FCC states several times in the original payphone order** that "it was the congressional intent to increase opportunities for entrepreneurs and other small businesses" and "to accelerate rapid private sector deployment of advanced telecommunications"

- ✓ Enforcement not consistent and there has not been a consistent competitive level playing field.
- ✓ No incentives to partner with payphone industry to innovate service offerings

[✓] Confusing and complex process over the years to stay compliant with DAC rules.

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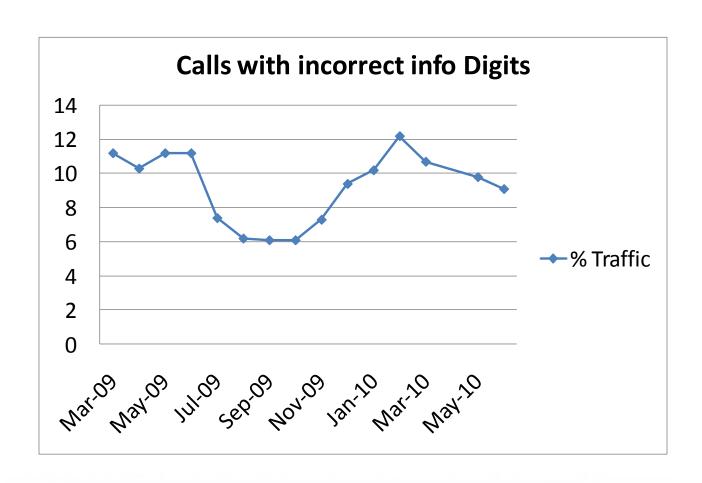


- X Consumer Value
- X PSP Compensation
- X Service Providers and Entrepreneurs increased Opportunities
- X No one is happy!





We have spent the last year trying to fix...





The Solution

- We must first agree to: "Payphones are needed for the greater good of the general public"
- Payphone utilization has fallen to the point that continuing to focus on the fixing the current complex processes does not make sense
- Solution must increase or better yet maximize value to consumer
- Minimize process burden to one set of entities.
- NetworkIP Supports APCC option 1

"This is a historical moment in the future of payphones, either <u>we</u> resolve the inherent failures with the current process of PSP compensation and restore <u>consumer</u> value or someday soon we will find payphones totally missing from the American landscape..." Pete Pattullo